

§ 120.1821

basis SBA will review Pool Assembler Secondary Market activity and may designate additional broker-dealers as systemically important to the SBA Secondary Market.

§ 120.1821 What is the process to obtain designation as a Systemically Important Secondary Market Broker-Dealer?

(a) SBA will determine which Pool Assemblers are Systemically Important SBA Secondary Market Broker-Dealers (SISMBDs) and will notify each in writing.

(b) Once a Pool Assembler has been designated as an SISMBD, the designation will remain valid until February 16, 2011. After designation as an SISMBD, the Pool Assembler may apply for an SISMBD Loan following the procedures set forth in 120.1822 herein.

§ 120.1822 What is the process to apply for an SISMBD Loan?

(a) To apply for an SISMBD Loan, an SISMBD must submit an SISMBD Loan Application to the Director of the Secondary Market Lending Authority.

(b) The SISMBD Loan Application contains the following information:

(1) Information demonstrating the applicant is creditworthy and has the resources to repay the loan;

(2) A statement of the amount requested;

(3) Applicant's IRS tax identification number;

(4) A copy of applicant's most recent financial statements dated within 120 days of the application that was prepared by an accountant, including a copy of its most recent outside audit report, a balance sheet, an income and expense statement and a schedule of its secured debt obligations; and

(5) A narrative describing the efforts undertaken by the firm to obtain credit on reasonable terms from private sources. This narrative must include name of the institution and a contact person for each lender contacted and should also include term sheets provided by potential lenders.

§ 120.1823 Creditworthiness.

(a) Prior to approval of any SISMBD Loan Application or any advance under

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an SISMBD Loan, SBA shall consider the creditworthiness of the SISMBD. The SISMBD must be creditworthy in order to be approved for an SISMBD Loan or any advance under an SISMBD Loan.

(b) Specific evidence of a lack of creditworthiness includes but is not limited to: Insolvency as defined in the Bankruptcy Code, failure to adhere to the terms of a previous SISMBD Loan, excessive dependence on borrowed funds, violations of the SBA Secondary Market rules, regulations and procedures, the effect any affiliates of the SISMBD may have on the ultimate repayment ability of the SISMBD, or any other relevant factor indicating a less than satisfactory condition or lack of repayment ability. The presence of one or more of these characteristics will not necessarily mean that an SISMBD is not creditworthy but may cause the partial or complete denial of a SISMBD Loan application.

§ 120.1824 How will an SISMBD receive notice of an approval or denial of a loan or request for an advance under an SISMBD Loan?

(a) Applicants will receive notice of approval or denial of an SISMBD Loan or a request for an advance under such loan by SBA through written correspondence.

(b) If a loan request is approved, SBA will issue a Commitment Letter.

(c) Notice of a denial will include the specific reasons for the decision.

(d) SBA reserves the right to reject any request for a loan or an advance, in whole or in part, in its sole discretion.

§ 120.1825 May an SISMBD request reconsideration after denial?

(a) An applicant may request reconsideration of a denied loan request or a denied request for an advance within 30 days of receipt of a denial notice. All requests for reconsideration must be submitted to the Director of the Secondary Market Lending Authority. To prevail, the applicant must present written information to demonstrate that it has overcome all reasons for the denial of a loan request or advance request. After 30 days from receipt of a denial notice, a new loan application or